

AR21



Siebens
OIL & GAS LTD.

1974 ANNUAL REPORT

DIRECTORS

J. H. Coleman, Toronto, Ontario
President, J.H.C. Associates Limited

F. N. Hughes, Edmonton, Alberta
President, Oil Patch Industries Ltd.

J. G. Hutchison, Calgary, Alberta
Financial Consultant

W. D. C. Mackenzie, Calgary, Alberta
President, W.D.C. Mackenzie Consultants Ltd.

W. W. Siebens, Calgary, Alberta
President, Siebens Oil & Gas Ltd.

P. W. Wood, Winnipeg, Manitoba
Vice-President, Finance
Hudson's Bay Company

OFFICERS

W. W. Siebens, President
J. A. Dabbs, Vice President
D. E. McPhee, Secretary
V. J. Zaleschuk, Treasurer-Comptroller

SENIOR PERSONNEL

R. G. Gould, Exploration Manager
W. A. McLean, Production Manager
L. R. Bullock, Chief Geologist
B. H. Martin, Foreign Operations Manager — London Office
J. W. Rogers, Offshore Drilling Manager — London Office

HEAD OFFICE

300 Three Calgary Place, Calgary, Alberta
Telephone: (403) 263-3470 Telex: 03-825502

FOREIGN OFFICE

5th Floor, 14 Waterloo Place, London, England
Telephone: (01) 839-6212 Telex: 51-917960+

SUBSIDIARIES

Siebens Oil & Gas (Malta) Limited
Siebens Oil & Minerals Inc.
Siebens Oil & Gas (S.E. Asia) Ltd.
Siebens Oil & Gas (Vietnam) Ltd.

AFFILIATES

Siebens Oil & Gas (U.K.) Limited
Hibernian Oil & Gas Limited

BANKERS

The Royal Bank of Canada
Calgary, Alberta

Hambros Bank Limited
London, England

AUDITORS

Riddell, Stead & Co.
Calgary, Alberta

SOLICITORS

Macleod Dixon
Calgary, Alberta
Norton, Rose, Botterell & Roche
London, England

REGISTRARS AND TRANSFER AGENTS

Montreal Trust Company
Calgary, Vancouver, Regina,
Winnipeg, Toronto, Montreal

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Canadian Stock Exchange

ANNUAL MEETING

The Annual Meeting of Shareholders will be held on February 4, 1975 at 10:00 a.m. in the Lake Louise Room, at the Calgary Inn, 4th Avenue & 3rd Street S.W., Calgary, Alberta. A formal notice of this meeting, information circular and form of proxy are being mailed with this report.

THE FRONT COVER

The Western Pacesetter 1 drilling on Siebens Oil & Gas (U.K.) Limited acreage in the North Sea.
The Pacesetter is owned by Western Oceanic, Inc. of Houston.

Siebens

OIL & GAS LTD.

1974 ANNUAL REPORT

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL:	1974	1973	INCREASE (DECREASE) PER CENT
Gross Revenue	\$ 8,683,234	\$ 5,643,582	53.9
Cash Flow from Operations	7,739,590	3,723,426	107.9
Per Share	.84	.41	
Net Income	3,952,565	2,903,857	36.1
Per Share	.43	.32	
Working Capital at October 31	6,180,178	8,254,332	(25.1)
Exploration and Development Expenditures	8,718,741	4,220,024	106.6
Shareholders' Equity	22,252,687	18,224,367	22.1
Shares Outstanding	9,184,700	9,172,465	

OPERATING:

Crude Oil & Nat. Gas Liquids Production			
Barrels Per Day	3,542	1,555	127.8
Natural Gas Sales — Thousand Cubic			
Feet Per Day	16,352	7,107	130.1
Proven and Probable Reserves in			
Barrel Equivalents	23,918,900	24,079,660	(0.7)
Acreage Holdings			
Canada			
Gross	57,020,109	60,212,246	(5.3)
Net	29,564,756	31,432,966	(5.4)
Foreign			
Gross	14,144,537	13,285,685	6.5
Net	2,670,329	1,958,140	36.4
Royalty Acreage			
Canada	45,256,272	46,589,764	(2.9)
Foreign	43,161	81,780	(47.2)
Drilling Record			
Exploration			
Oil	2	1	
Gas	6	5	
Dry	17	4	
Development			
Oil	7	3	
Gas	8	7	
Dry	5	6	
Farmout and Royalty Wells			
Oil	1	5	
Gas	14	19	
Dry	13	26	

TO THE SHAREHOLDERS:

The past fiscal year which ended October 31, 1974 proved to be one of significant growth for your Company. Earnings, cash flow and gross revenues increased substantially benefiting from higher product prices and in turn allowed us to greatly increase our capital spending on drilling and exploration efforts in Canada and other countries.

Gross Revenues increased to \$8,683,234 from \$5,643,582 yielding a cash flow of \$7,739,590 up from \$3,723,426. Net Income was \$3,952,565 or 43 cents per share as compared with \$2,903,857 or 32 cents per share for the prior year. With working capital of \$6,180,178 at October 31, 1974, the Company is in a strong financial condition to continue with its exploration and development plans. Capital expenditures during the 12 month period amounted to \$8,750,336 reflecting greatly increased drilling and exploration activities.

The Company continued its policy of diversifying its exploration efforts by acquiring interests in concessions in Abu Dhabi, in geothermal leases in the Western United States and potential oil and gas properties in Montana and North Dakota. Negotiations in other areas are continuing and hopefully will be successful in the new year.

In the North Sea, where additional major reserves were discovered throughout the year, Siebens Oil & Gas (U.K.) Ltd. commenced its drilling program in August with the

spudding of its first well located in Block 205/30 west of the Shetland Islands. The well, drilled with the Western Pacesetter 1, encountered thick porous Jurassic sands which unfortunately were not hydrocarbon bearing and was subsequently abandoned. The second well with this rig is presently drilling in Block 2/10. These blocks are owned 95% by Siebens (U.K.). On Block 16/7 where Siebens (U.K.) has a 10% interest, a deep test is presently being drilled. A further 3 wells are planned in the North Sea for 1975. In other parts of the world geophysical programs were undertaken in South Vietnam, Abu Dhabi and Ethiopia and drilling plans are being formulated.

In contrast however, the confrontation between the Federal Government and Provincial Governments over control of oil and gas resources continued and increased intensely. In December, 1973, the Saskatchewan Government introduced Bill No. 42 which froze product prices in that province and confiscated interests in producing mineral fee titles. The Federal Government's export tax on crude oil exported from Canada was extended to at least April 1, 1975 and froze the price to the producer at \$6.50 per barrel. Immediately thereafter, the Federal Government introduced the infamous May 6th Budget which amongst other oil industry disincentives, disallowed the deductibility of royalties and taxes paid to Provincial jurisdictions in calculating Federal Corporate Tax, a provision which would result in a company paying Federal Income Tax on the

Province's share of any oil and gas produced and sold on behalf of that Province. On November 18th, this budget was reintroduced with only minor concessions to the oil industry. The continuation of this battle between Governments without regard for, or consultation with, the Industry has eroded Industry's ability to plan and carry out any long range programs required to assure the discovery of adequate domestic oil and gas supplies and has destroyed the investing public's confidence in the Industry.

It must be remembered that investment only takes place if investors, whether they are oil companies or individuals, have some assurance they will earn an adequate return on their investment. When the future is clouded and risk is considered too high, investment will not take place.

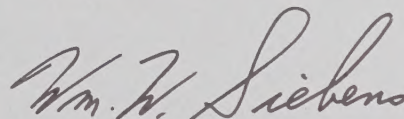
The next decade is considered vital in terms of achieving self sufficiency for Canada. Massive investment is required during this period for pipelines from the Arctic and the Mackenzie Delta and for Alberta Tar Sands development. With galloping inflation driving the cost of these projects increasingly upward and various delays resulting from lack of Governmental policies further extending the commencement of these projects, it is difficult to see how they can be financed unless operating rules are stabilized and policies are designed to encourage the development of these additional sources of energy. Those who advocate nationalization of the oil industry should look at other services presently being operated by

Governments to realize that this would be a most costly and inefficient method of achieving self-sufficiency in energy reserves.

In the meantime, this Company is proceeding cautiously with its exploration activities in the hope that this confrontation between Governments will be resolved in the near future.

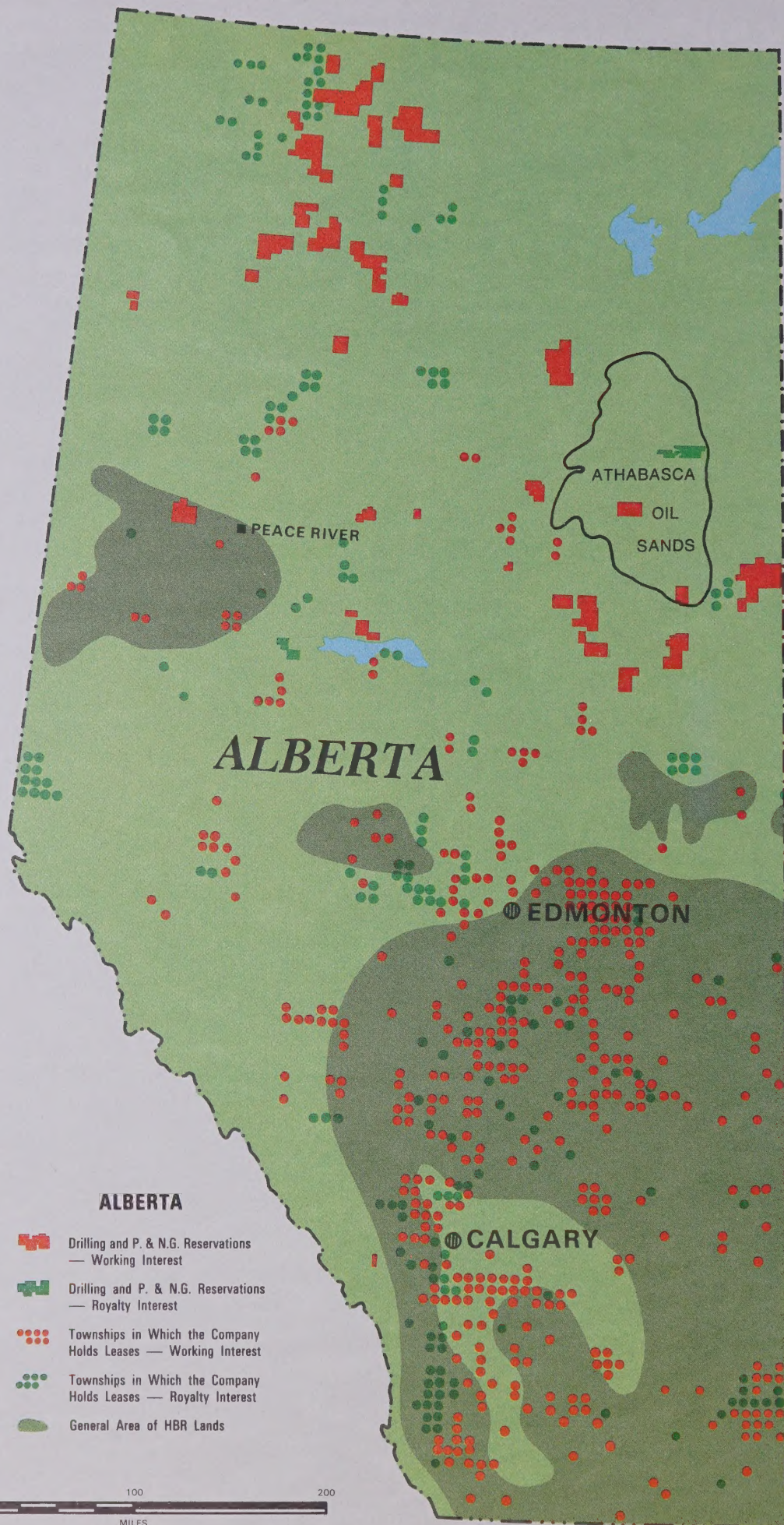
The Directors wish to extend their sincere appreciation to all our employees for their efforts in the face of such uncertainties and to shareholders for their continued confidence.

ON BEHALF OF THE BOARD



W. W. Siebens
President

December 17, 1974



CANADIAN LAND HOLDINGS

WORKING INTEREST PROPERTIES

GEOGRAPHICAL AREA	NATURE OF INTEREST	GROSS ACRES		NET ACRES	
		1974	1973	1974	1973
Alberta.....	P & NG Reservations	2,190,107	2,607,107	2,010,667	2,381,215
	Drilling Reservations	27,840	26,080	12,113	9,400
	Permits	21,920	7,680	21,920	7,680
	Leases	501,143	454,253	333,168	300,306
Saskatchewan	Permits	125,760	1,029,740	45,640	910,900
	Leases	10,386	11,667	4,940	1,359
British Columbia	Permits	54,460	25,104	39,782	25,104
	Leases	6,226	5,534	941	246
Northwest Territories	Permits	230,371	230,371	115,191	115,191
Mackenzie Delta-Beaufort Sea	Permits	2,630,626	2,630,626	1,230,882	1,230,882
Hudson Bay.....	Permits	4,516,634	4,898,478	981,303	1,172,255
Eastern Canada-Offshore*	Permits	34,509,980	36,090,950	21,468,226	21,978,445
Arctic Islands	Permits	12,194,656	12,194,656	3,299,983	3,299,983
		57,020,109	60,212,246	29,564,756	31,432,966

* Gross and Net figures include 15,472,679 gross acres, 10,315,120 net acres filed on and pending issuance of Permits from the Federal Government.

HBR LAND HOLDINGS

PROVINCE	1974 ACRES HELD	1973 ACRES HELD
Alberta.....	1,603,575	1,603,575
Saskatchewan	1,435,682	2,308,820
Manitoba.....	686,560	686,560
	3,725,817	4,598,955

ROYALTY INTEREST PROPERTIES

GEOGRAPHICAL AREA	GROSS ROYALTY ACREAGE	
	1974	1973
Alberta.....	736,865	727,000
Saskatchewan	123,752	231,206
British Columbia	823,531	823,531
Ontario	1,260,056	1,622,821
Hudson Bay.....	7,467,494	7,467,494
Northwest Territories & Arctic Islands	26,584,160	26,584,160
Eastern Canada - Offshore	4,534,597	4,534,597
	41,530,455	41,990,809

CANADIAN EXPLORATION

Land Holdings

The aggressive policy of the Company toward acquisition of acreage in Western Canada has been somewhat tempered by the recent political influences that have affected and will continue to affect the petroleum exploration industry.

With the introduction of Bill 42 and more rigid land regulations in the Province of Saskatchewan, the Company has taken the position of drastically reducing its acreage holdings in Saskatchewan and concentrating exploration efforts in other provinces. The reduction in gross acres in Saskatchewan from 1,029,740 to 125,760 is the result.

In 1973 the Company acquired from Hudson's Bay Company the beneficial interest in approximately 4.6 million acres of fee mineral rights. After careful examination of these properties and because the Saskatchewan properties were subject to a substantial increase in mineral acreage tax in 1974, the Company elected to surrender approximately 900,000 acres to the Saskatchewan Government.

Similarly, in the Province of Alberta, the Company undertook to reduce acreage thought to have the least exploratory potential considering the size of the rentals and work obligations. Alberta P & NG Reservations as a result were reduced by 417,000 gross acres during the year.

All other acreage changes from 1973 figures are the result of normal fluctuations in annual holdings. The Company would hope to maintain a forward and aggressive position toward land acquisition, however, we anticipate present and future land tenure regulations and governmental policy toward the petroleum exploration industry will dictate a more selective approach toward maintaining land in the Company's inventory.

Year in Review

The Company expanded its drilling program during 1974 and participated in 45 exploratory and development wells (see chart below). Our success ratio of 9 oil wells and 14 gas wells placed us well within the industry average. Additional oil and gas reserves as a result of this program are detailed in the Reserves and Production section of this report.

It should be noted that a number of the 25 exploratory wells drilled were the result of farmins taken by the Company. These prospects were farmed in while we were in the process of adding to our exploration staff to ensure the future development of prospects from within the Company. We have completed our staff requirements and now have well-qualified personnel to generate sufficient prospects to ensure in-

telligent spending of our exploration dollar.

There was a substantial reduction in the number of farmout wells drilled this year by third parties at no cost to the Company. With the rapid internal generation of exploration funds we elected to drill our own prospects with these funds rather than farmout and reduce our interest. As well, political interference from various levels of government has had a very dampening effect on our ability to farmout.

It is important to note the statistics discussed above and shown in the chart do not include wells drilled on our Hudson Bay mineral titles. Hudson's Bay Oil and Gas Company Limited holds a long term option on these properties in which your Company retains a 12-1/2% lessor's royalty on oil and 16-2/3% lessor's royalty on gas. These royalties will be increased to 20% in 1976. An impressive number of wells have been drilled and completed as oil or gas wells on these properties over the past year. Some of the results of these wells are again reflected in the Reserves and Production Section of this report.

Athabasca Oil Sands

Assuming the Alberta Government introduces an oil sands policy that ensures a reasonable return on in-

DRILLING ACTIVITY

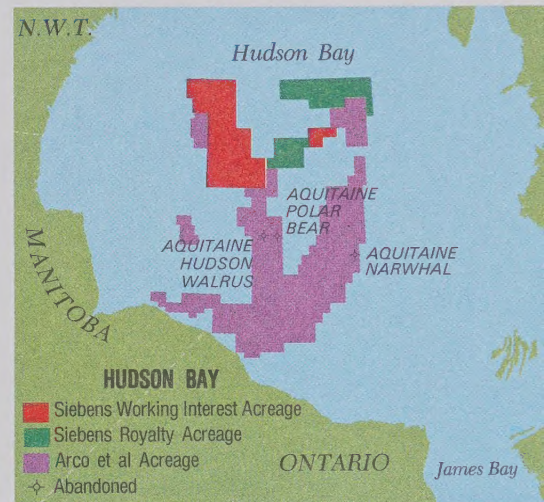
	OIL	GAS	ABANDONED	TOTAL
Exploratory Wells	2	6	17	25
Development Wells	7	8	5	20
Farmout Wells	—	3	6	9
Royalty Wells	1	11	7	19
	10	28	35	73

vestment to the private sector, the Athabasca Oil Sands will continue to hold the key to Canada's hopes for self-sufficiency and as a net exporter of petroleum in the immediate and distant future. Three oil sand extraction plants have been in various stages of financing and obtaining government approvals to add to the Syncrude Project and the already producing Great Canadian Oil Sands Plant. However, the November Federal Budget and continued confrontation between the Federal Government and the Province of Alberta has apparently placed the feasibility of these new projects in jeopardy.

The Government of Alberta has created the Alberta Oil Sands Technology and Research Authority with a committed expenditure of \$100 million over the next 5 years. This

substantial contribution to the Authority was established to assist and complement Industry's efforts in working toward technological advancements for the recovery of oil by in-situ processes.

The Company intends to retain its valuable overriding royalty on Bituminous Oil Sands Lease Number 23 operated by Chevron Standard Limited and Bituminous Oil Sands Lease Number 25 operated by Union Oil Company of Canada. These leases are located in the immediate vicinity of the GCOS plant and Syncrude Project and have combined estimated recoverable reserves, attributed to the Company's overriding royalty, of 38.8 million barrels. Each lease will support in excess of a 100,000 barrel per day plant and should ensure future revenue to the Company.

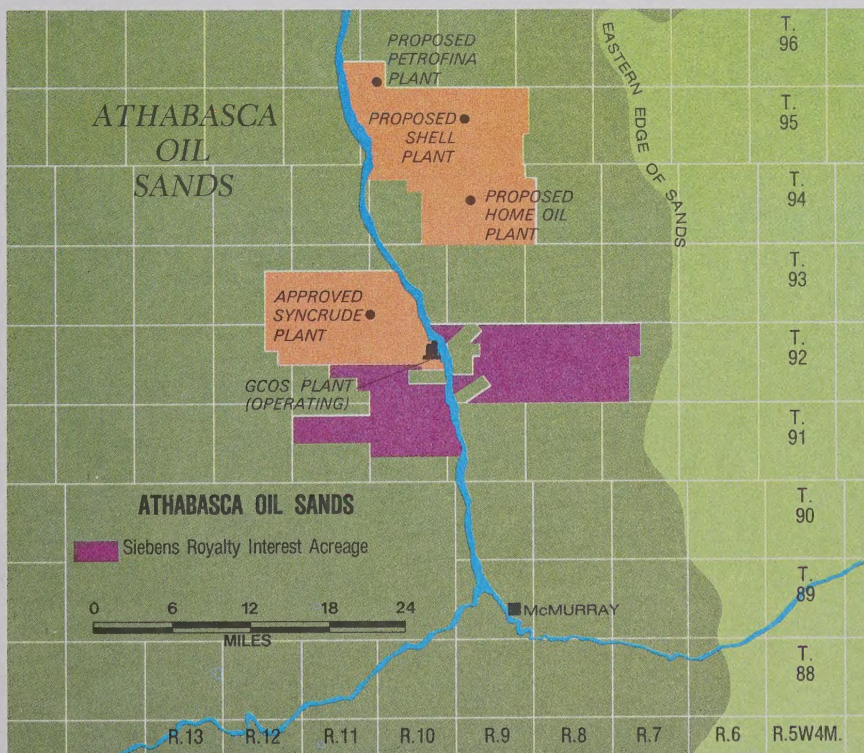


Hudson Bay

For the first time since 1969 the Hudson Bay area was the scene of exploratory drilling with Aquitaine and its partners completing two wildcat wells and abandoning the Walrus A-71 well drilled 5 years ago. The new wells, Narwhal 0-58 and Polar Bear C-11 were completed by the semisubmersible drilling rig Pentagone-82 and drilled to 4,341 feet and 5,170 feet respectively before abandonment.

Shell Canada Ltd. committed to the financing of drilling expenditures up to \$5.4 million during 1974 in order to earn an interest in the 9 million acres held by the Aquitaine group in Hudson Bay. Improved techniques in the acquisition and processing of marine seismic reflection data are felt to have assisted Shell in outlining attractive drilling prospects in this region, a notoriously poor area for obtaining good quality data.

An experimental seismic reflection program was conducted during the past summer on the 4-1/2 million



acre block of exploration permits in which the Company has a 17-1/2% working interest. Data obtained from this survey are currently being assessed and will be utilized in a detailed seismic reflection program planned for the summer of 1975.

Arctic Islands

Your Company has committed to the extent of a 6.382% interest in the highly publicized Arctic Islands Offshore Group being underwritten by a total of 9 companies including Panarctic Oils Ltd., Sunoco E & P Limited, Gulf Canada Limited, Phillips Petroleum Company, Dome Petroleum and others. The formation of this group represents the culmination of months of negotiation by those parties that saw the need for a consortium of companies working together toward a coordi-

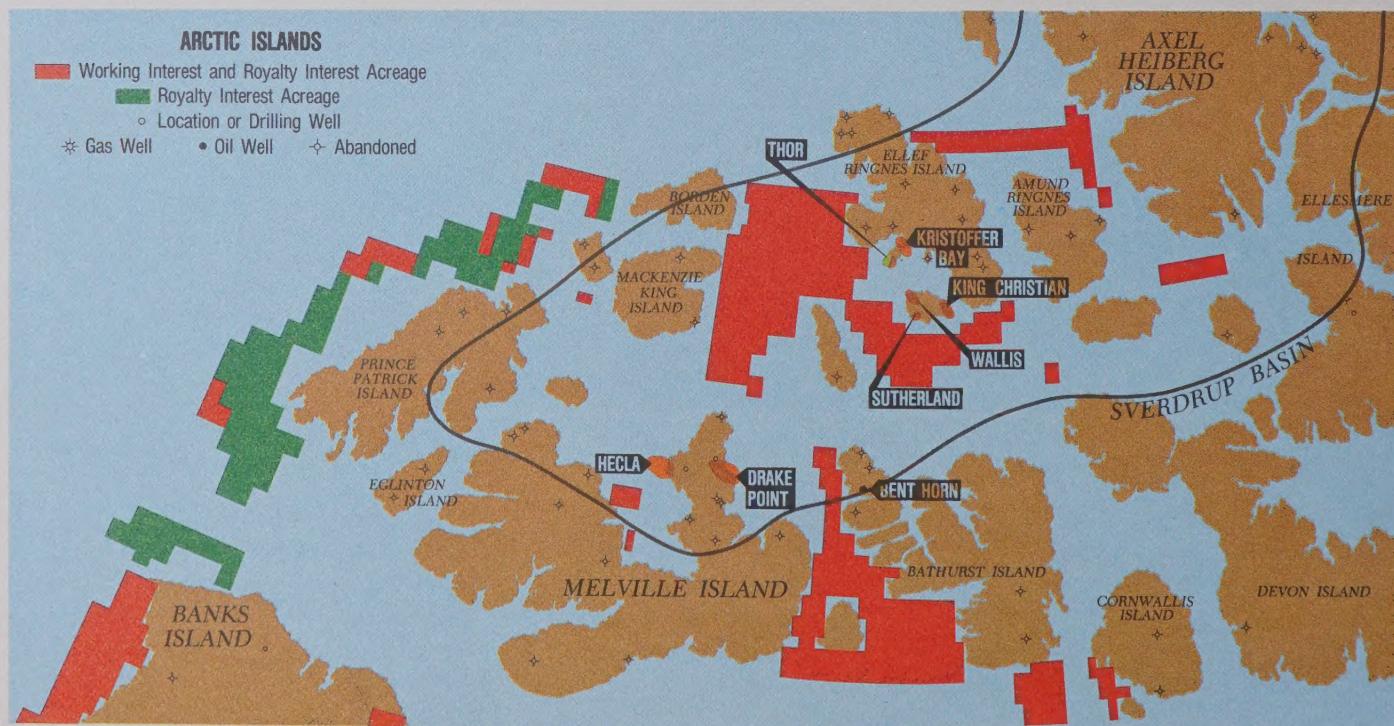
nated offshore seismic study of the Sverdrup Basin of the Arctic Islands. The program is expected to carry over three years at a minimum cost of \$46 million and should provide an excellent regional study of your Company's extensive offshore land holdings (6.7 million gross acres, 1.68 million net acres) in the Sverdrup Basin.

There were no major discoveries reported this past year in the Arctic, however, several significant wells were drilled.

Panarctic Oils Ltd. announced the Hecla N-52 exploratory well offshore Melville Island confirmed an 8 mile extension of the Hecla gas field. The well, drilled from a floating ice platform, is the first offshore well to be drilled in the Arctic Islands and tested 7.1 million cubic feet per day of gas through a restricted

choke. Although a sea bottom completion was not attempted and the well subsequently abandoned, the feasibility of drilling on ice was demonstrated, lending encouragement to the expectation of possible drilling programs earlier than anticipated, on your Company's offshore holdings.

Panarctic Oils Ltd. also announced that light crude oil was tested at the Bent Horn N-72 well on Cameron Island marking the first significant recovery of live crude from the older Paleozoic rocks fringing the Sverdrup Basin where major gas discoveries have been made in younger Mesozoic rock. Further extension wells establishing additional gas reserves were also completed at Drake Point on Melville Island.





Mackenzie Delta Beaufort Sea

It is felt industry has discovered sufficient gas reserves in the Mackenzie Delta-Beaufort Sea areas to justify a gas pipeline to Canadian and United States markets when combined with the reserves of the North Slope of Alaska. Industry studies have demonstrated the feasibility of laying a pipeline in the permafrost of the northern region with minimum disturbance to the environment. Governmental decisions on both sides of the border remain the only stumbling blocks preventing immediate construction of a pipeline.

Drilling results over the past few years have indicated that the presence of hydrocarbons in Tertiary sediments increases in a northerly direction toward the offshore waters of the Beaufort Sea. This has been substantiated by a discovery on one of the artificial drilling islands con-

structed by Imperial Oil Limited and Imperial's intention to step-up exploratory drilling in shallow waters over the next two drilling seasons. Imperial believes artificial islands to be the most practical means of drilling in water depths up to 30 feet. Construction methods so far have involved dredging silt from the seabed or hauling gravel to island sites. Drilling in deeper waters beyond 30 feet may involve steel structures with seabed foundations.

Dome Petroleum Limited has announced that a fleet of six deep-sea vessels including two ice-strengthened drillships will head for the Beaufort Sea in the fall of 1975 for the start of a 5 year exploration venture that Dome feels will herald major discoveries of oil and gas in the order of "tens of billions of barrels of oil and up to 100 TCF gas". Dome expects to drill up to 4 wells per season at a cost of \$20 million per well. The results of thousands of

miles of seismic data have already indicated the presence of large structures offshore and Dome's first well under this program, which should commence drilling in 1976, represents the first offshore well to be drilled from a drilling vessel in the Beaufort Sea.

In the Liverpool Bay area, northeast of the Delta, a marine seismic survey conducted last year confirmed the presence of a Middle Devonian structure anomaly on the Company's acreage. Further work is not anticipated on this acreage until the proper drilling technique for the water depth in this area has proven feasible. For the past three summers, pack ice conditions have prevented further seismic investigation on the remaining holdings of the Company in the Beaufort Sea to the north of Liverpool Bay but efforts will continue to complete the program as soon as ice conditions permit.

Labrador Coast

Canada's Labrador Coast should become one of the hot spots for offshore exploration as a result of the work completed this past year by the Eastcan Group. Eastcan et al Gudrid H-55 tested a zone below 8,740 feet and flowed 20 MMCF per day maximum rate with condensate and no water. Subsequent to this encouraging announcement, the Eastcan Group moved the Pelican drillship to the location of the previously drilled Bjarni H-81 well for testing and evaluation. This well tested 13 MMCF per day with condensate and no water.

In addition to the drilling completed by the Eastcan Group, BP Canada Limited suspended its BP Bonavista C-99 well due to adverse conditions. The well was drilled with the Havdrill drillship to a depth of 12,090 feet before encountering mechanical difficulties, plugged back to 9,554 feet and redrilled to 10,375 feet before being suspended. It is expected the Havdrill will return to the East Coast in 1975.

Your Company continues to hold substantial acreage on the Labrador coast. The seismic option granted to Canada Cities Service Ltd. in 1971 on the Company's 8½ million gross acres off Baffin Island has resulted in confirmation of several large structural anomalies on Company acreage. Canada Cities Service Ltd. has recently continued the option by assuming the next year's obligation of 1.7 million dollars and may earn a further interest in the Company's acreage by drilling an 11,000 foot exploratory test.

The Company also holds 15,472,679 gross acres (10,315,120 net acres) filed with the Federal

Government and pending issuance of exploratory permits under new regulations. These lands are in deeper water within the same basin as the aforementioned Eastcan discoveries.

The Company also has a 40% working interest in 2,471,595 gross acres southeast of the Bjarni discovery on which we are considering an additional seismic program in 1975.

The majority of the Company's land holdings in the Scotia Shelf and Grand Banks areas off the East Coast have been evaluated by seismic programs over the past two years resulting in the surrender of a number of scattered permit blocks that showed little potential for hydrocarbons. Some acreage has been retained and will be further evaluated in succeeding years.



FOREIGN EXPLORATION

United States of America

In January, 1974, the U.S. Bureau of Land Management opened to exploration federal lands prospective for geothermal energy in the western United States. All federal lands which did not fall into the category of Known Geothermal Resources Areas were available for leasing on a non-competitive basis. Siebens Oil & Gas Ltd., in association with a group of Canadian exploration companies, applied for geothermal leases covering approx-

imately 500,000 acres in California, Nevada, Idaho, Oregon and Washington. The Company now holds a 16% interest in these priority applications for leases within eleven areas with good geothermal potential. It is expected leases will be issued in mid-1975. A program consisting of surface geological studies and remote sensing was recently completed in order to evaluate the lands under application. Acreage which is not geologically attractive will be dropped by withdrawing our application and reap-

plying for more prospective lands in that state.

With oil prices substantially higher and royalties lower in the United States as compared to Canada, the Company has acquired a 25% interest in approximately 170,000 lease acres located east of the Cedar Creek Anticline in the states of North Dakota and Montana. A seismic program is due to be conducted on this acreage during the winter and is likely to be followed by drilling during the summer of 1975.



United Kingdom

The northern North Sea was again the scene of several significant oil discoveries during the past year. South of the Hutton field, BP/Ranger and Burmah confirmed the presence of a major oil field which was named Ninian. To the northwest of the Thistle field BP announced another discovery rumored to have over 500 feet of net oil pay and termed the Magnus field. Union has drilled a total of five wells on their Heather field located immediately north of Siebens (U.K.) block 2/10 and has ordered a production platform for further development. Hamilton Brothers found commercial oil production in a well located about 6 miles southwest of Siebens (U.K.)/Numac block 9/4. In Norwegian waters, a few miles north-east of the Brent field, Mobil/Statoil confirmed a major discovery named Statfjord. Occidental's new Claymore field west of the Piper field has recoverable reserves estimated to range from 300 - 500 million barrels.

The uninterrupted chain of major oil finds in the northern North Sea indicates this area should be producing in excess of 3 million barrels of oil per day within a few years. Plans have been announced for a pipeline scheme to take production ashore from five North Sea oil fields. The fields involved in this link-up are Brent, Cormorant, Thistle, Dunlin and Hutton. A 36 inch diameter pipeline 96 miles long will be laid from Sullom Voe in the Shetland Islands to a production terminal at Cormorant and gathering facilities will branch out from this point to the other four fields. In addition, an oil pipeline has been proposed from Ninian to Sullom Voe and a gas pipeline from Brent to St. Fergus on

the Scottish mainland. Other pipelines now completed or nearing completion are the Forties-St. Fergus pipeline, the Ekofisk-Teeside oil line and the Ekofisk-Emden gas pipeline.

During September, 1974, Siebens (U.K.) drilled a dry hole on its 205/30 block located west of the Shetland Islands. This well tested a regional feature near the edge of the West Shetlands trough and while the results were geologically interesting, no hydrocarbon shows were encountered. Siebens (U.K.) had a 95% interest in this well and has used data obtained from its drilling to acquire information from other operators which will assist in interpreting detailed seismic over structures to be evaluated in the future. The Western Pacesetter 1 semisubmersible drilling rig is currently being operated by Siebens (U.K.) and is located on a Jurassic feature in block 2/10 which is very similar to the structure in the offsetting block 2/5 where Union's Heather field is being developed. Drilling commenced on November 29, 1974. Upon completion of the 2/10-1 well, Siebens (U.K.) will drill a test block in 3/28. The rig will then be released to another operator for one well and subsequently returned to Siebens (U.K.) for a further two wells. Blocks 2/10 and 3/28 are 95% interest owned by Siebens (U.K.).

Pan Ocean Oil (U.K.) Ltd. is currently operating the Odin Drill on a deep Jurassic test in block 16/7 in which Siebens (U.K.) is a 10% partner. The well commenced drilling September 19, 1974 and should be near its objective in January, 1975.

In the Celtic Sea area, southwest of Wales, new seismic surveys incor-

porating recent well trade information are being evaluated. Only two wells have been drilled to date in the Bristol Channel area, one of which is presently suspended after encountering mechanical problems. It is expected several wells will be drilled in this sedimentary basin during 1975.

Ireland

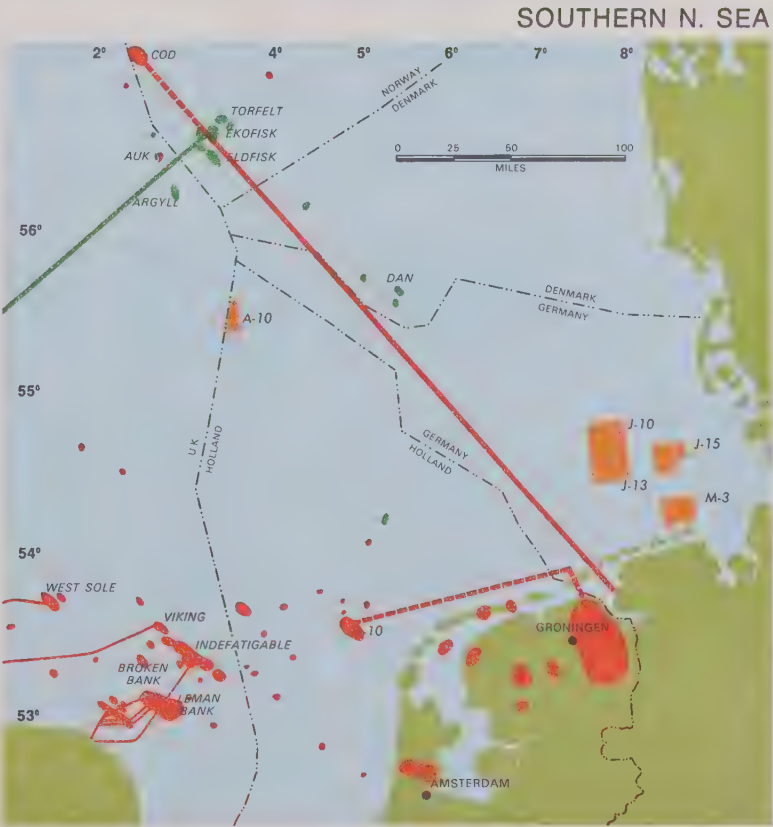
Hibernian Oil & Gas Ltd., an 80% owned subsidiary of Siebens (U.K.), recently completed a review of marine seismic data covering open areas of the Irish continental shelf. The Irish Government has indicated they will open portions of this area for application before the end of 1975. Discussions are underway between the U.K. and Irish Govern-



ments on resolving the problem of the median line in the Irish and Celtic Seas. Hibernian is prepared to make application for attractive blocks in the Celtic Sea when the Irish Government decides to open this area for exploration.

German North Sea

Siebens (U.K.) has a 45% interest in four blocks located in offshore German waters. Recently, Siebens (U.K.) and its partners committed to use the Penrod 65 jackup rig, presently being constructed in Scotland, for two wells to be drilled on their exploration permits. A deep Permian Rotliegendes test will be drilled on block J-13 followed by a



shallower Triassic Bunter well in block J-10. Valmar Petroleum Corp. will also utilize the Penrod 65 for one well in block J-18 which will evaluate a joint anomaly extending into the Siebens (U.K.) block M-3. The new rig is expected to be completed in June, 1975. Offsetting Siebens (U.K.)'s block J-13, Placid is currently drilling a deep test on block J-16.

South Viet Nam

Two concessions comprising approximately 3,400,000 acres and located in offshore South Vietnamese waters are held by the Sunningdale Joint Venture Group in which the Company is a 25% interest partner. A 4,000 mile marine seismic program over the concessions was conducted in March, 1974 and interpretation of the data has been completed. The Group is presently negotiating a drilling contract for a new mat-supported jack-up drilling rig under construction in Singapore. A well will be drilled on each of these concessions during 1975.

Pecten Viet Nam, a subsidiary of Shell Oil Company, announced the discovery of oil and natural gas in its second well drilled offshore Viet Nam. The well, Dua 1-X, flowed 39° API oil at a rate of 1,514 barrels per day with associated gas at the rate of 5.8 MMCF/D. Pecten's first well drilled in August, 1974 encountered indications of hydrocarbons but was considered noneconomic and finally abandoned. The discovery well is located approximately 100 miles east of the Company's concessions and confirms the high potential of this sedimentary basin. Pecten will be drilling several additional exploratory wells in this area

along with Mobil, who recently commenced a wildcat well on one of its concessions.

Ethiopia

An airborne gravity program was conducted during July, 1974 on a portion of the 8.5 million acre con-

cession located in Ethiopia. By assuming the obligations of one of the concession holders the Company has now earned a 12½ percent interest in these lands (1,062,486 net acres). The results of the gravity survey are being evaluated to determine if further exploratory work is warranted.



Abu Dhabi

On March 6, 1974, Siebens Oil & Gas Ltd., in association with a group of Canadian oil exploration companies, was awarded two petroleum concessions in offshore Abu Dhabi waters totalling 2,820 square kilometers or approximately 700,000 acres. The Company's interest in the two blocks is 20%. A detailed marine seismic survey totalling 1,181 line miles was conducted over one of the blocks during May, 1974, and an additional 300 miles of program was recently completed on the other block. Interpretation of the data is proceeding.



FOREIGN LAND HOLDINGS

LOCATION	TYPE OF OWNERSHIP	GROSS ACRES	NET ACRES
Abu Dhabi	Concessions	696,836	139,367
Alaska+	Leases	34,915	12,235
Ethiopia	Concession	8,499,883	1,062,486
Germany*	Exploration Permits	354,199	159,390
Italy	Exploration Permit	38,876	3,887
Malta	Production License	426,322	90,593
Netherlands*	Exploration License	31,876	3,188
South Viet Nam	Exploration Concessions	3,396,389	849,097
United Kingdom*	Production Licenses	495,641	307,686
United States of America+	Leases	169,600	42,400
		14,144,537	2,670,329

+ The Company also has priority rights on 118,097 net acres under dispute between the U.S. Federal Government and the State of Alaska relating to native claims. The Company holds Royalty interests in 43,161 acres located on the North Slope. The Company has priority applications on 499,912.90 gross acres (79,986 net acres) of U.S. Geothermal leases located in the western United States.

* Represents acreage held by Siebens (U.K.). Siebens Canada holds 27.23% of the issued and outstanding shares of Siebens (U.K.).

PRODUCTION

Crude Oil and Natural Gas Liquids

The Company's net crude and natural gas liquids production increased by approximately 2,000 barrels per day to a record average of 3,542 barrels per day. A major portion of this increase was due to the inclusion of a full year's production from the Hudson's Bay lands which were merged with Siebens during the previous year.

Alberta continued to be the Company's most important area of production, contributing 2,600 barrels per day or 73 percent of total oil and natural gas liquids production.

Royalty production accounts for 93% of the Company's oil and natural gas liquids production. This is of significance to this Company since royalty income is not affected by operating costs. Conversely, increases in product prices follow through to the Company in full.

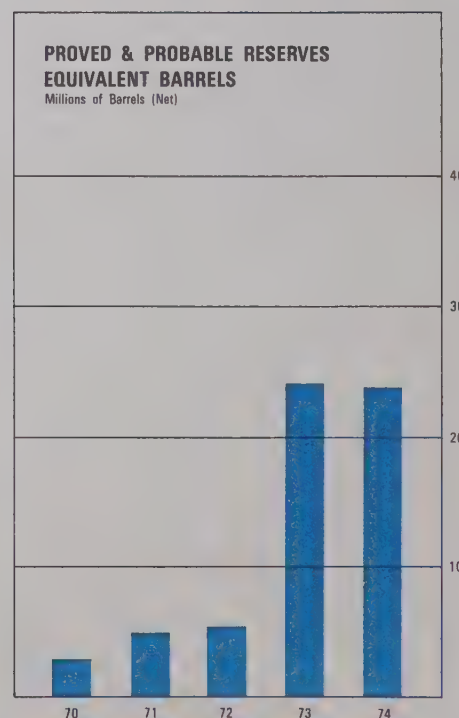
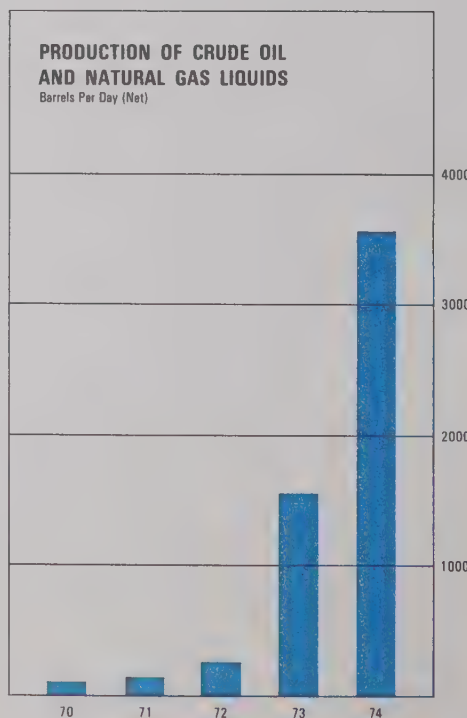
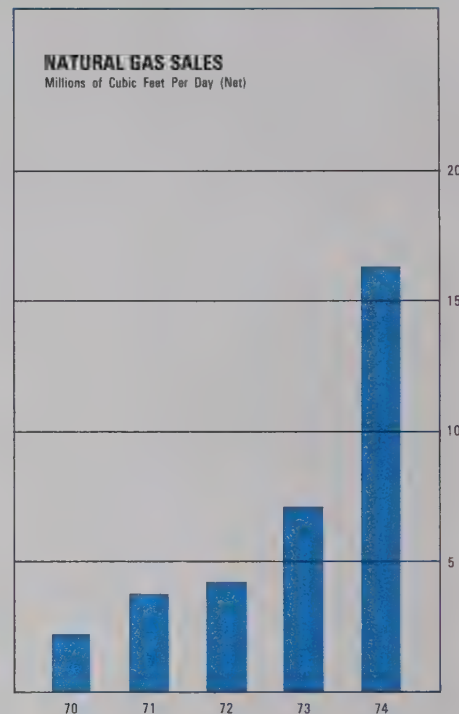
Natural Gas

Natural gas production for the year was 5,968,557 MCF, an average of 16,352 MCF per day. This is an increase of 130% over the prior period. Approximately 40% of this increase resulted from new wells tied in and an increase in the contract rate in the Enchant Field, where reserves were enlarged by drilling 2 step out wells. The remaining 60% is due to the inclusion of a full year's production from the Hudson's Bay lands.

The average wellhead price of working interest natural gas sold by the Company during the year was 21.4¢ per MCF. This gas accounts

for 25% of Siebens gas production, the remaining 75% being royalty production. Gas sales contracts have been renegotiated for almost all of our working interest gas production. These contracts provide for a price of 27¢ per MCF until November 1, 1975 at which time the price will be redetermined.

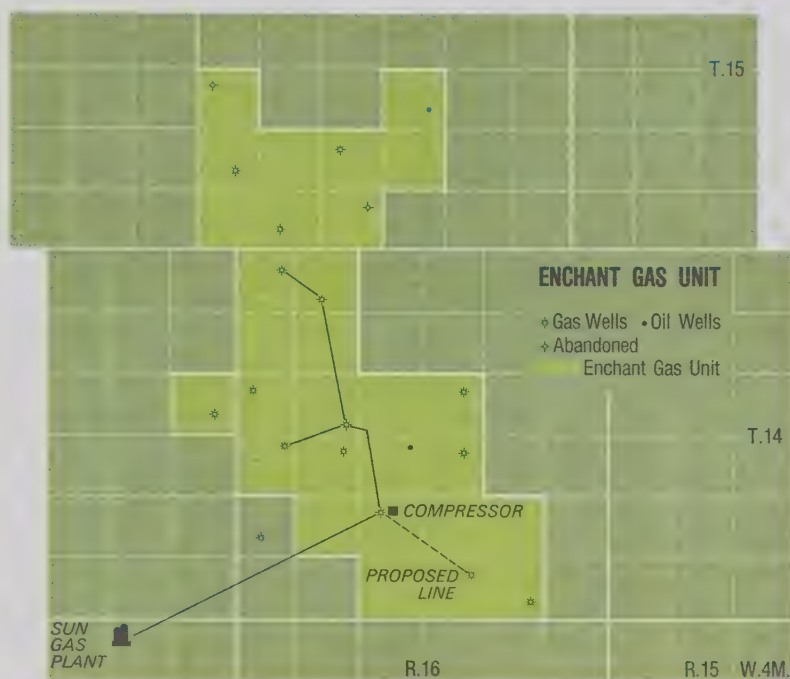
The Company's production is expected to increase to a minimum rate of 20,000 MCF per day by mid-1975. This will be the result of putting on stream the Braeburn and Pelican Fields in which the Company has substantial working and royalty interests.



Enchant Gas Unit

Unitization is the pooling of interests in various producing properties where there is a mutual benefit to all partners due to savings in operating costs and capital expenditures. One producer, usually the one having the largest interest, is appointed to conduct the entire unit operation.

The Enchant Gas Unit, with Siebens Oil & Gas Ltd. as Unit Operator became effective on August 15, 1974. This unit, in which the Company has a 78.5% interest, encompasses an area of 18,560 acres and contains 15 gas wells. At present, 5 wells are tied in but only 3 wells are needed to produce the contract rate of 5,750 MCF per day of natural gas.



RESERVES

The Company's net remaining recoverable reserves at year end as estimated by McDaniel Consultants (1965) Ltd. are shown on the accompanying table.

Total net equivalent reserves are 23,918,900 barrels including both proven and probable categories. This equivalent was calculated by converting gas at one barrel per 14

MCF and three barrels per long ton of sulphur. The reserves as reported represent a slight decrease from last year's equivalent reserves of 24,079,660 barrels.

Reserves of natural gas were increased by 5,820,000 MCF or 5% to 131,410,000 MCF. At 1974 production rates these reserves represent a life index of 22 years.

Proven and probable net reserves of oil and natural gas liquids decreased by 3% to 14,398,200 barrels which at 1974 production rates represents a life index of 11 years. Additions from drilling and enhanced recovery did not quite replace the 1,292,797 barrels produced during the year.

NET RESERVES OF OIL, NATURAL GAS AND NATURAL GAS LIQUIDS AND SULPHUR

October 31, 1974	Crude Oil (Barrels)	Natural Gas Liquids (Barrels)	Natural Gas (Millions of Cubic Feet)	Sulphur (Long Tons)
Proven	8,444,100	1,298,400	93,820	36,890
Probable	4,609,100	46,600	37,590	7,880
	13,053,200	1,345,000	131,410	44,770

FINANCIAL

The Company's gross revenue of \$8,683,234 recorded a 53.9% increase over the \$5,643,582 reported for the prior twelve month period. This increase is primarily due to greater oil and gas sales, resulting from improved product prices and new wells on stream.

Cash Flow amounted to \$7,739,590 or 84 cents per share up from 41 cents per share for an increase of 107.9%.

Net Earnings for the year were \$3,952,565 or 43 cents per share, an increase of 36.1% over the previous year. This increase in net earnings did not keep pace with the increase in cash flow due in part to our policy, adopted last year, of amortizing foreign exploration costs over the term of the exploration licenses or concessions and the increase in the depletion rate per

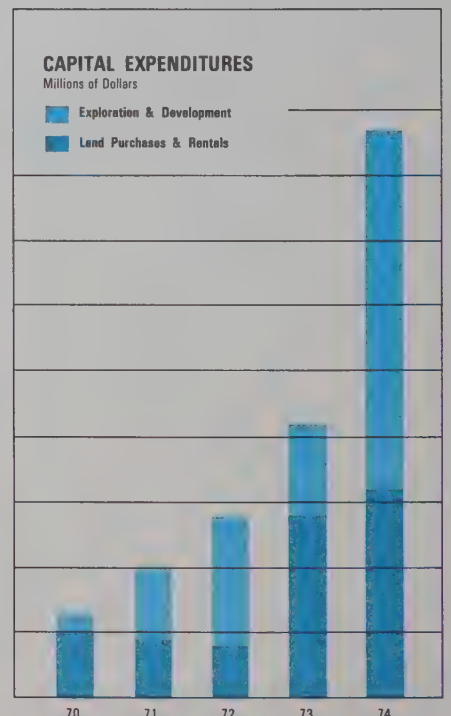
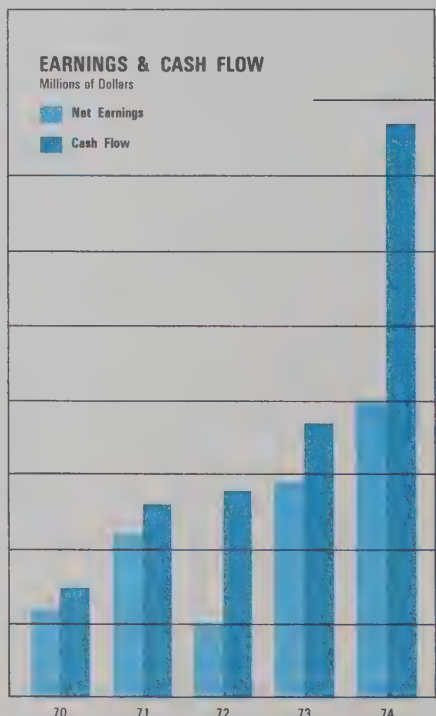
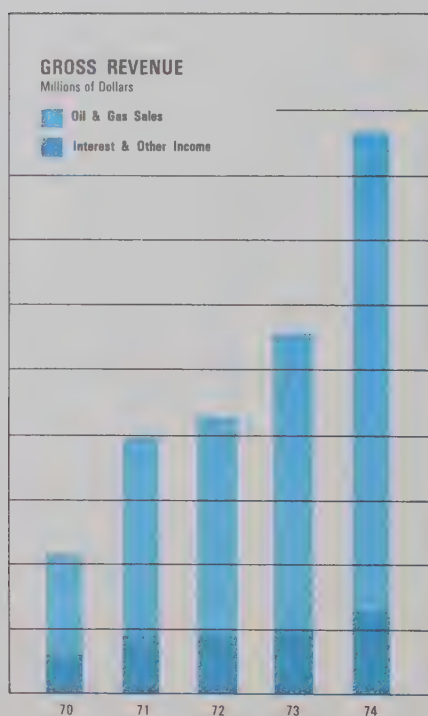
barrel equivalent, a rate which represents the Company's historical cost of finding petroleum reserves. With higher finding costs due to inflation and exploration moving to more expensive areas, this rate tends to move upward unless or until major reserves are discovered. Your Company is still at a stage in its development where major expenditures are being made to introduce it to potentially vast reserves but little drilling has actually taken place to date confirming existence of such reserves.

Funds generated by the Company were \$7,829,856 an increase of 40.6%. In turn, \$8,718,741 was expended on exploration and development.

On November 18, 1974 the Minister of Finance presented the Federal

Budget, along with proposed amendments to the Income Tax Act which if enacted, will be retroactive to May 6, 1974. The full impact of these amendments cannot be fully assessed at this time, however, the Company does not expect to pay any income taxes for the year ended October 31, 1974. The additional provision for deferred income taxes resulting from these amendments has been estimated to be \$527,000 with a corresponding reduction in net earnings and has been recorded in the accounts.

In keeping with the Company's policy of recording its investment in Siebens (U.K.) on an equity basis, current income taxes for the year amounted to \$176,077 and represent the Company's 27.23% share of U.K. income taxes paid by Siebens (U.K.).



CONSOLIDATED STATEMENT OF EARNINGS

For the Year Ended October 31, 1974

	1974	1973
REVENUE		
Oil and gas sales	\$7,381,573	\$4,574,226
Interest	988,289	1,017,185
Other	313,372	52,171
	8,683,234	5,643,582
EXPENSES		
Production expenses	248,144	201,566
General and administrative	366,564	405,946
Depletion and amortization (Note 1)	1,022,130	394,937
Depreciation	87,754	60,675
	1,724,592	1,063,124
NET EARNINGS BEFORE INCOME TAXES	6,958,642	4,580,458
INCOME TAXES (Note 1)		
Current	176,077	1,188,601
Deferred	2,830,000	488,000
	3,006,077	1,676,601
NET EARNINGS	\$3,952,565	\$2,903,857
NET EARNINGS PER SHARE	\$.43	\$.32

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended October 31, 1974

	1974	1973
RETAINED EARNINGS AT BEGINNING OF YEAR	\$1,339,706	\$1,422,349
Net earnings	3,952,565	2,903,857
	5,292,271	4,326,206
Dividends of pooled subsidiary	—	2,986,500
RETAINED EARNINGS AT END OF YEAR	\$5,292,271	\$1,339,706

CONSOLIDATED BALANCE SHEET

As At October 31, 1974

ASSETS	1974	1973
CURRENT ASSETS		
Cash	\$ 87,735	\$ 436,572
Bonds and short-term deposits, at cost (quoted market value 1974 - \$5,948,500; 1973 - \$8,461,800)	6,198,444	8,152,998
Accounts receivable	837,164	354,964
Accrued interest	192,353	111,500
	7,315,696	9,056,034
INVESTMENTS (Note 2)	4,948,354	3,802,094
PROPERTY, PLANT AND EQUIPMENT		
Petroleum and natural gas leases and rights together with exploration and development and equipment thereon, at cost (Note 1)	16,387,901	7,669,160
Accumulated depletion and depreciation	1,811,442	879,678
	14,576,459	6,789,482
Other equipment, at cost less accumulated depreciation 1974 - \$65,693; 1973 - \$57,467	58,846	45,098
	14,635,305	6,834,580
OTHER ASSETS	26,956	41,467

Signed on behalf of the Board:

Wm. H. Siebens

Director

[Signature]

Director

\$26,926,311

\$19,734,175

LIABILITIES

	1974	1973
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,042,318	\$ 737,884
Deferred income	93,200	63,818
	1,135,518	801,702
GAS PRODUCTION PREPAYMENT	47,106	47,106
DEFERRED INCOME TAXES (Note 1)	3,491,000	661,000
CONTINGENT LIABILITIES (Note 3)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)		
Authorized		
12,000,000 shares without nominal or par value		
Issued		
9,184,700 (1973 - 9,172,465) shares	13,512,765	13,437,010
CONTRIBUTED SURPLUS	3,447,651	3,447,651
RETAINED EARNINGS	5,292,271	1,339,706
	22,252,687	18,224,367

\$26,926,311

\$19,734,175

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended October 31, 1974

	1974	1973
SOURCE OF FUNDS		
From operations	\$7,739,590	\$3,723,426
Sale of petroleum and natural gas rights	—	200,653
Issue of common shares (Note 4)		
For cash	75,755	45,148
For petroleum and natural gas rights	—	780,937
For purchased subsidiaries	—	825,000
Other	14,511	(7,927)
	7,829,856	5,567,237
APPLICATION OF FUNDS		
Investments	1,153,674	—
Property, plant and equipment	8,750,336	4,220,024
Dividends of pooled subsidiary	—	2,986,500
	9,904,010	7,206,524
DECREASE IN WORKING CAPITAL	\$2,074,154	\$1,639,287

AUDITORS' REPORT

To the Shareholders
Siebens Oil & Gas Ltd.

We have examined the consolidated balance sheet of Siebens Oil & Gas Ltd. and its subsidiaries as at October 31, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at October 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

December 12, 1974
Calgary, Alberta

(Signed) Riddell, Stead & Co.
Chartered Accountants

NOTES TO 1974 CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING POLICIES

a) Principles of Consolidation

The consolidated financial statements include the accounts of Siebens Oil & Gas Ltd. and its wholly-owned subsidiaries, Siebens Oil & Minerals, Inc., Siebens Oil & Gas (Malta) Limited, Samjean Holdings Ltd., Lehart Oil Properties Ltd., Siebens Oil & Gas (Vietnam) Ltd. and Siebens Oil & Gas (S.E. Asia) Ltd.

See Note 2 with respect to the Company's investment in Siebens Oil & Gas (U.K.) Limited (Siebens (U.K.)).

b) Petroleum and Natural Gas Operations

The Company follows the "full cost" method of accounting for its petroleum and natural gas operations. Under this method all costs of exploring for and developing oil and gas reserves are capitalized and charged to income as set out below.

Costs incurred in North America are being depleted using the unit of production method based on estimated recoverable North American reserves as determined by company engineers. Costs incurred by Siebens (U.K.) in the North Sea area (see Note 2) are being amortized on a straight-line basis at the rate of 10%. Should exploration in the North Sea prove successful, the unamortized costs will then be depleted using the unit of production method based on estimated recoverable reserves in the North Sea; any unamortized costs will be written off to income in the event of abandonment of exploration activities in the North Sea. The costs of exploration in other foreign areas will be depleted on the basis of oil and gas reserves as and when discovered or written off to income if exploration in any area is determined to be unsuccessful.

c) Income Taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the earnings reported in the accounts. Under this method, the Company provides for deferred income taxes to the extent that income taxes otherwise payable are eliminated by claiming capital cost allowances and exploration and development costs in excess of the depreciation and depletion provisions reflected in its accounts.

d) Foreign Currencies

The accounts of foreign subsidiaries are converted to Canadian dollars on the following basis:

- i) current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;
- ii) fixed assets, at the average rate of exchange for the years in which the respective assets were acquired;
- iii) revenue and expenses, at the average rate of exchange for the year.

The gain on conversion has been credited to earnings.

NOTE 2 INVESTMENTS

	1974	1973
Siebens Oil & Gas (U.K.) Limited	\$3,794,680	\$3,802,094
Other investments, at cost		
(quoted market value — \$979,620)	1,153,674	—
	\$4,948,354	\$3,802,094

The Company follows the equity method of accounting for its investment in Siebens (U.K.) in which the Company has a 27.23% interest. Under this method, the Company's investment is carried on the balance sheet at cost plus its share of net increases or decreases in the shareholders' equity accounts of Siebens (U.K.). The Company's share of the income and expenses of Siebens (U.K.) have been included in the Company's consolidated statement of earnings on an item-by-item basis.

NOTE 3 CONTINGENT LIABILITIES AND COMMITMENTS

As of October 31, 1974, the Company was contingently liable under non-interest bearing demand notes and letters of credit aggregating approximately \$5 million as security for the performance of work obligations in respect of exploration activities.

NOTE 4 CAPITAL STOCK

- a) During the year the Company issued 12,235 shares for \$75,755 cash on exercise of stock options.
- b) 250,000 shares of the Company are reserved under a key employee incentive share option plan dated July 16, 1974, of which options to acquire 111,100 shares are outstanding at October 31, 1974 exercisable in annual instalments to October, 1980 at prices ranging from \$5.04 to \$8.78 per share.

NOTE 5 STATUTORY INFORMATION

Directors and senior officers (including the five highest paid employees) of the Company received remuneration amounting to \$264,850 during the year ended October 31, 1974.

AR21

File



INTERIM REPORT
TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED
APRIL 30, 1974

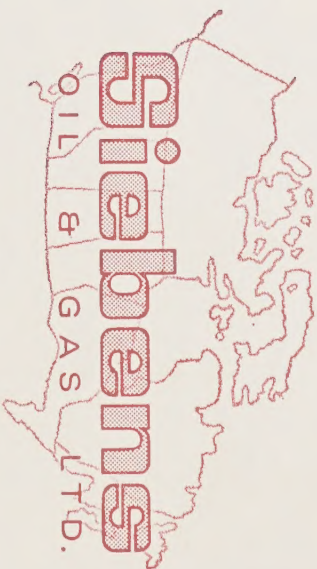
SIEBENS OIL & GAS LTD.
300 Three Calgary Place
Calgary, Alberta T2P 0J1

SIEBENS OIL & GAS LTD./1974 ANNUAL REPORT

AR21

File

SIEBENS OIL & GAS LTD.
300 Three Calgary Place
Calgary, Alberta T2P 0J1



INTERIM REPORT
TO SHAREHOLDERS

FOR THE SIX MONTHS ENDED
APRIL 30, 1974

1

TO THE SHAREHOLDERS

Commencement of drilling operations in the North Sea is expected in mid - June when Siebens Oil & Gas (U.K.) Ltd. will assume operatorship of the Western Pacesetter 1, a semi-submersible drilling rig. The first well will be drilled on Block 205/30, located west of the Shetland Islands. In addition, the rig will be used to drill two wells in the northern North Sea on Blocks 2/10 and 3/28 prior to the winter drilling season.

Siebens U.K. holds a 95% working interest in all three blocks, with Westburne Drilling & Exploration (U.K.) Ltd. owning the remaining 5%.

Siebens U.K. will also participate to the extent of 10% working interest in a two well drilling programme to be operated by Pan Ocean Oil (U.K.) Ltd. in Blocks 16/7, 16/2 and 16/3. These wells will be drilled consecutively utilizing the Odin Drill semi-submersible rig with drilling commencing in the latter part of July.

The Western Pacesetter 1 rig has also been reserved by Siebens U.K. for an additional two wells to be drilled in 1975.

Net Income was \$1,612,681, or 17 cents a share for the first 6 months of this fiscal year after providing full deferred income taxes on all timing differences. Cash Flow for the 6 month period was \$3,038,527, or 33 cents a share, up from \$1,618,117 or 18 cents a share for the first 6 months of last year.

The Company participated in the drilling of 24 exploration wells and 8 development wells during the 6 month period, resulting in 5 oil wells, 7 gas wells and 20 dry holes.

Capital expenditures for the year are forecast to be \$8,550,000, an increase of \$4,146,000 over the prior year.

W. W. SIEBENS
President

May, 1974

SIEBENS OIL & GAS LTD. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS (Unaudited)

	Six Months Ended April 30 1974	1973
REVENUE		
Oil and gas sales	\$2,849,475	\$2,100,769
Interest	486,709	490,717
Other	104,820	29,719
	<u>3,441,004</u>	<u>2,621,205</u>
EXPENSES		
Production expenses	145,960	100,691
General and administrative	177,827	162,286
Depletion and amortization	393,811	174,811
Depreciation	37,465	26,741
	<u>755,063</u>	<u>464,529</u>
NET EARNINGS BEFORE INCOME TAXES	<u>2,685,941</u>	<u>2,156,676</u>
INCOME TAXES		
Current	90,260	705,264
Deferred	983,000	64,000
	<u>1,073,260</u>	<u>769,264</u>
NET EARNINGS	<u>\$1,612,681</u>	<u>\$1,387,412</u>
NET EARNINGS PER SHARE	<u>17¢</u>	<u>15¢</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS (Unaudited)

	Six Months Ended April 30 1974	1973
SOURCE OF FUNDS		
From operations	\$3,038,527	\$1,618,117
Issue of common shares	73,684	5,625
For cash	—	780,937
For petroleum and natural gas rights	(80,218)	37,703
Other	<u>3,031,993</u>	<u>2,442,382</u>
APPLICATION OF FUNDS		
Property, plant and equipment	5,559,524	1,530,826
Dividends of pooled subsidiary	—	2,100,000
	<u>5,559,524</u>	<u>3,630,826</u>
DECREASE IN WORKING CAPITAL	<u>\$2,527,531</u>	<u>\$1,188,444</u>